



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER LESLIE COUNTY
SHERIFF'S SETTLEMENT - 1996 TAXES
AND 1996 UNMINED COAL TAXES**

January 8, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Onzie Sizemore, Leslie County Judge/Executive
Honorable Ford Bowling, Former Leslie County Sheriff
Honorable Fred Davidson, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Independent Auditor's Report

We have audited the former Leslie County Sheriff's Settlement - 1996 Taxes as of January 8, 1999, and the former Sheriff's Settlement - 1996 Unmined Coal Taxes as of November 14, 1998. These tax settlements are the responsibility of the former Leslie County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The former Sheriff prepared his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the former Leslie County Sheriff's taxes charged, credited, and paid as of January 8, 1999, and November 14, 1998, in conformity with the basis of accounting described in the preceding paragraph.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of excess of liabilities over assets is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Onzie Sizemore, Leslie County Judge/Executive

Honorable Ford Bowling, Former Leslie County Sheriff

Honorable Fred Davidson, Leslie County Sheriff

Members of the Leslie County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- Former Sheriff Ford Bowling Has A Cumulative Deficit Of \$148,593 In His Property Tax Account
- Former Sheriff Ford Bowling Should Settle With Taxing Districts For All Property Taxes Owed And Refunds Due
- Former Sheriff Ford Bowling Should Settle With Taxing Districts For All Unmined Coal Taxes Owed And Refunds Due
- Former Sheriff Ford Bowling Should Deposit Unmined Coal Tax Account Surplus In An Escrow Account
- Former Sheriff Ford Bowling Should Properly Distribute Interest Earned On Tax Deposits
- Former Sheriff Ford Bowling Should Pay All Commissions To The Official Fee Account And Collect Refunds Due From The Official Fee Account
- Former Sheriff Ford Bowling Should Pay All Advertising Costs To The Fiscal Court And Sheriff's Fees To The Official Fee Account
- Former Sheriff Ford Bowling Should Have Required The Depository Institution To Provide Additional Collateral Of \$248,357 To Protect Deposits
- Former Sheriff Ford Bowling Should Have Obtained A County Revenue Bond
- Former Sheriff Ford Bowling's Office Internal Control Structure Lacked An Adequate Segregation Of Duties
- Former Sheriff Ford Bowling Did Not Prepare And Maintain Accurate And Complete Records

In accordance with Government Auditing Standards, we have also issued a report dated April 17, 2000, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
April 17, 2000

LESLIE COUNTY
FORD BOWLING, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1996 TAXES

January 8, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 286,507	\$ 278,487	\$ 645,040	\$ 260,897
Tangible Personal Property	89,881	108,356	223,592	278,204
Intangible Personal Property				21,533
Fire Protection	5,316			
Franchise Corporation	56,067	63,992	136,176	
Additional Billings	888	770	1,906	794
Increased Through Erroneous Assessments	17	16	40	18
Penalties	3,711	3,678	8,379	4,055
Adjusted to Sheriff's Receipt	(202)	(68)	(193)	(91)
Gross Chargeable to Sheriff	\$ 442,185	\$ 455,231	\$ 1,014,940	\$ 565,410
<u>Credits</u>				
Discounts	\$ 4,722	\$ 4,864	\$ 10,798	\$ 7,549
Exonerations	6,147	5,883	13,795	5,634
Delinquents:				
Real Estate	41,085	38,884	91,493	37,006
Tangible Personal Property	3,296	3,974	8,200	10,162
Intangible Personal Property				496
Uncollected Franchise Corporation	248	298	615	
Total Credits	\$ 55,498	\$ 53,903	\$ 124,901	\$ 60,847
Net Tax Yield	\$ 386,687	\$ 401,328	\$ 890,039	\$ 504,563
Less: Commissions *	16,721	17,057	35,602	21,731
Net Taxes Due	\$ 369,966	\$ 384,271	\$ 854,437	\$ 482,832
Taxes Paid	370,075	384,253	853,717	480,067
Credit For Commissions Per KRS 134.290				3,481
Penalty				92
Refunds (Current and Prior Year)				5
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	\$ (109)	\$ 18	\$ 720	\$ (629)

* and ** See Page 4

LESLIE COUNTY
FORD BOWLING, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1996 TAXES
January 8, 1999
(Continued)

10% on	\$	10,000
4.25% on	\$	1,282,578
4% on	\$	890,039

** Special Taxing Districts:

Library District	\$	(46)
Extension District		41
Soil Conservation District		23
		<hr/>
Due Districts or (Refund Due Sheriff)	\$	<u>18</u>

The accompanying notes are an integral part of the financial statements.

LESLIE COUNTY
FORD BOWLING, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1996 UNMINED COAL TAXES

November 14, 1998

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 127,779	\$ 120,988	\$ 288,150	\$ 116,651
Omitted Taxes	8,115	11,840	18,852	10,659
Omitted Penalties and Interest	2,577	3,801	5,840	3,394
Penalties	641	665	1,497	1,381
Gross Chargeable to Sheriff	<u>\$ 139,112</u>	<u>\$ 137,294</u>	<u>\$ 314,339</u>	<u>\$ 132,085</u>
<u>Credits</u>				
Discounts	\$ 2,265	\$ 2,143	\$ 5,099	\$ 2,062
Exonerations	5,810	8,511	13,304	7,295
Delinquents	6,031	6,993	13,747	6,429
Total Credits	<u>\$ 14,106</u>	<u>\$ 17,647</u>	<u>\$ 32,150</u>	<u>\$ 15,786</u>
Net Tax Yield	\$ 125,006	\$ 119,647	\$ 282,189	\$ 116,299
Less: Commissions *	<u>5,313</u>	<u>5,085</u>	<u>11,288</u>	<u>4,943</u>
Net Taxes Due	\$ 119,693	\$ 114,562	\$ 270,901	\$ 111,356
Taxes Paid	119,622	114,467	270,710	110,113
Penalties				82
Credit Per State Settlement				<u>906</u>
Due Districts		**		
as of Completion of Fieldwork	<u>\$ 71</u>	<u>\$ 95</u>	<u>\$ 191</u>	<u>\$ 419</u>

* and ** See Page 6

LESLIE COUNTY
FORD BOWLING, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1996 UNMINED COAL TAXES
November 14, 1998
(Continued)

* Commissions:

4.25% on	\$	360,952
4% on	\$	282,189

** Special Taxing Districts:

Library District	\$	22
Health District		18
Extension District		21
Soil Conservation District		4
Garbage District		30
		<hr/>
Due Districts	\$	<u>95</u>

The accompanying notes are an integral part of the financial statements.

LESLIE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

January 8, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statements. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should have pledged or provided sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The former Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of February 11, 1998, the uncollateralized amount on deposit was \$248,357. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit.

LESLIE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 January 8, 1999
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of February 11, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 1,255,000
Uncollateralized and uninsured	<u>248,357</u>
Total	<u>\$ 1,503,357</u>

Note 3. Property Taxes

Real and Personal Property Taxes

The real and personal property tax assessments were levied as of January 1, 1996. Property taxes were billed to finance governmental services for the year ended June 30, 1997. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 26, 1997 through October 12, 1998.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1996. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 13, 1998 through October 12, 1998.

Note 4. Interest Income

Real and Personal Property Taxes

The former Sheriff earned \$3,903 as interest income on 1996 taxes. The former Sheriff did not distribute the appropriate amount to the school district as required by statute, nor did he pay the remainder to his operating account.

Unmined Coal Taxes

The former Sheriff earned \$1,121 as interest income on 1996 unmined coal taxes. The former Sheriff did not distribute the appropriate amount to the school district as required by statute, nor did he pay the remainder to his operating account.

LESLIE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
January 8, 1999
(Continued)

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The former Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff's office should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For 1996 Unmined Coal taxes, the former Sheriff had \$961 in unrefundable duplicate payments and unexplained receipts. Therefore, the former Sheriff should send a written report to the Treasury Department.

Note 6. Criminal Indictment and Civil Action

On October 4, 1995, a three count indictment (95-CR-00056) was returned by the Leslie County Grand Jury charging former Leslie County Sheriff Ford Bowling with failure to properly account for and disburse tax money collected by his office. The indictment was dismissed without prejudice on January 26, 1998. On February 28, 1996, a civil action (96-CI-00043) was filed by the Leslie County Fiscal Court and other taxing districts against former Sheriff Ford Bowling and his bonding companies, asking for a judgment that the appropriate amount of tax money, advertising costs, interest, and fees due and owing be paid to each taxing district. No court date has been set.

LESLIE COUNTY
FORD BOWLING, FORMER SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

January 8, 1999

Assets

Cash in Bank		\$	303
Receivables:			
1996 Taxes-			
State Overpayment	\$	629	
County Overpayment		109	
Library Overpayment		46	
Commission Overpayment		4,591	
1995 Taxes-			
School District Overpayment		52	
1994 Taxes-			
County Overpayment		127	
1992 Taxes-			
State Overpayment		3,212	
1991 Taxes-			
County Overpayment		171	
1990 Taxes-			
Forestry District Overpayment		111	
City Of Hyden Overpayment		13	
1987 Taxes-			
Health District Overpayment		166	
Forestry District Overpayment		11	
1991 Interest-			
School District Overpayment		485	
Fee Account Overpayment		2,395	
			<u>12,118</u>
Total Assets		\$	<u>12,421</u>

Liabilities

Outstanding Checks		\$	309
Unpaid Obligations:			
1996 Taxes-			
School District	\$	720	
Extension District		41	
Soil Conservation District		23	
			<u>784</u>

LESLIE COUNTY
 FORD BOWLING, FORMER SHERIFF
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
 January 8, 1999
 (Continued)

Liabilities (Continued)

Unpaid Obligations (Continued):

1994 Taxes-

State District	\$	35	
Forestry District		109	
School District		8,600	
Library District		1,319	
Health District		846	
Extension District		1,524	
Soil Conservation District		173	
City of Hyden		<u>324</u>	\$ 12,930

1993 Taxes-

State	\$	3,185	
County		1,959	
Garbage District		864	
School District		3,439	
Library District		639	
Health District		502	
Extension District		596	
Soil Conservation District		<u>91</u>	11,275

1992 Taxes-

County	\$	2,231	
Garbage District		1,666	
School District		6,644	
Library District		915	
Health District		545	
Extension District		648	
Soil Conservation District		422	
City of Hyden		<u>236</u>	13,307

1991 Taxes-

Garbage District	\$	2,750	
School District		1,896	
Library District		2,158	
Health District		247	
Extension District		246	
Soil Conservation District		293	
City of Hyden		<u>185</u>	7,775

LESLIE COUNTY
 FORD BOWLING, FORMER SHERIFF
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
 January 8, 1999
 (Continued)

Liabilities (Continued)

Unpaid Obligations (Continued):

1990 Taxes-

County	\$	3,343	
Garbage District		1,733	
School District		7,497	
Library District		1,397	
Health District		946	
Extension District		986	
Soil Conservation District		<u>185</u>	\$ 16,087

1987 Taxes-

County	\$	1,477	
Garbage District		582	
School District		12,327	
Library District		1,409	
Extension District		2,196	
Soil Conservation District		1,148	
City of Hyden		<u>274</u>	19,413

1986 Taxes-

School District	\$	2,000	
Extension District		<u>802</u>	2,802

1985 Taxes-

School District			16,990
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Other Unpaid Obligations:

Interest Due School For Tax Years-

1996	\$	1,528	
1995		1,305	
1994		2,244	
1993		2,277	
1992		1,498	
1990		2,059	
1988		1,707	
1987		<u>430</u>	13,048

LESLIE COUNTY
 FORD BOWLING, FORMER SHERIFF
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
 January 8, 1999
 (Continued)

Liabilities (Continued)

Other Unpaid Obligations (Continued):

Interest Due Fee Account For Tax Years-

1996	\$	2,375	
1995		2,180	
1994		3,600	
1993		3,944	
1992		2,527	
1990		3,497	
1988		<u>3,850</u>	\$ 21,973

Advertising Costs Due County For Tax Years-

1996	\$	480	
1995		642	
1994		225	
1993		225	
1992		198	
1991		468	
1990		336	
1988		252	
1987		258	
1986		186	
1985		<u>514</u>	3,784

Sheriff's Fees Due Fee Account For Tax Years-

1996	\$	160	
1995		214	
1994		75	
1993		75	
1992		66	
1991		156	
1990		112	
1988		<u>85</u>	943

Tax Commissions Due Fee Account For Tax Years-

1995	\$	545	
1994		10,308	
1993		1,744	
1992		1,139	
1991		<u>2,931</u>	16,667

LESLIE COUNTY
FORD BOWLING, FORMER SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
January 8, 1999
(Continued)

Liabilities (Continued)

Other Unpaid Obligations (Continued):

Tax Commissions Due Fee Account For Tax Years-

1990	\$ 1,792	
1988	<u>1,135</u>	<u>\$ 2,927</u>

Total Liabilities and Outstanding Checks \$ 161,014

Total Deficit as of January 8, 1999 \$ (148,593)

This represents the deficit in the former Sheriff's official property tax account and does not include the unmined coal tax account or fee account.

COMMENTS AND RECOMENDATIONS

LESLIE COUNTY
FORD BOWLING, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS

January 8, 1999

STATE LAWS AND REGULATIONS:

1. Former Sheriff Ford Bowling Has A Cumulative Deficit Of \$148,593 In His Property Tax Account

Based upon an examination of available records, former Leslie County Sheriff Ford Bowling has a cumulative deficit of \$148,593 in his property tax account as of January 8, 1999. This cumulative deficit includes deficits of current and prior years, which were reported in the former Sheriff's audits for 1985, 1986, 1987, 1989, 1990, 1991, 1992, 1993, 1994, and 1995 tax years and which have never been fully repaid. The accompanying Schedule of Excess of Liabilities Over Assets summarizes the former Sheriff's cumulative deficit in his property tax account.

We recommend the former Sheriff deposit personal funds of \$148,593 to his property tax account in order to eliminate the \$148,593 cumulative deficit. This matter has been referred to the Attorney General's office and the Kentucky State Police for further action as warranted. Furthermore, on February 28, 1996, a civil action was filed by the Leslie County Fiscal Court and other taxing districts against former Sheriff Ford Bowling, asking for a judgment that the appropriate amount of tax money, advertising costs, interest, and fees due and owing be paid to each taxing district. We note that this civil action covers issues relating to 1985 taxes through 1992 taxes. Since that time, our audits have revealed additional deficits. We recommend the Leslie County Fiscal Court take action to resolve additional deficits as reported in our audits.

Former Sheriff's Response:

No comment at this time.

2. Former Sheriff Ford Bowling Should Settle With Taxing Districts For All Property Taxes Owed And Refunds Due

As reflected in prior year audit reports and as shown in the accompanying Schedule of Excess Of Liabilities Over Assets, former Sheriff Ford Bowling owes property taxes and is due refunds from several taxing districts for 1985, 1986, 1987, 1990, 1991, 1992, 1993, 1994, 1995, and 1996 tax collections. These property taxes owed and refunds due are included in the \$148,593 calculation of comment one. The total amount owed by the former Sheriff (net of refunds) is \$95,447 as follows:

LESLIE COUNTY
 FORD BOWLING, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 January 8, 1999
 (Continued)

2. Former Sheriff Ford Bowling Should Settle With Taxing Districts For All Property Taxes Owed And Refunds Due (Continued)

Summary Of Taxes Due Districts (Refunds Due Former Sheriff) For All Years:

<u>Taxing Districts</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1990</u>	<u>1991</u>	
State	\$	\$	\$	\$	\$	
County			1,477	3,343	(171)	
Forestry			(11)	(111)		
Garbage			582	1,733	2,750	
School	16,990	802	12,327	7,497	1,896	
Library			140	1,397	2,158	
Health			(166)	946	247	
Extension		2,000	2,196	986	246	
Soil Conservation			1,148	185	293	
City of Hyden			274	(13)	185	
Totals	<u>\$ 16,990</u>	<u>\$ 2,802</u>	<u>\$ 17,967</u>	<u>\$ 15,963</u>	<u>\$ 7,604</u>	

<u>Taxing Districts</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Total</u>
State	\$ (3,212)	\$ 3,185	\$ 35	\$	\$ (629)	\$ (621)
County	2,231	1,917	(127)	1	(109)	8,562
Forestry		42	109			29
Garbage	1,666	864				7,595
School	6,644	3,439	8,600	(52)	720	58,863
Library	915	639	1,319		(46)	6,522
Health	545	502	846			2,920
Extension	648	596	1,524		40	8,236
Soil Conservation	422	91	173		23	2,335
City of Hyden	236		324			1,006
Totals	<u>\$ 10,095</u>	<u>\$ 11,275</u>	<u>\$ 12,803</u>	<u>\$ (51)</u>	<u>\$ (1)</u>	<u>\$ 95,447</u>

We recommend the former Sheriff pay the total amount due the taxing districts and obtain refunds due. As noted in comment number 1, a civil action has been filed asking that these amounts be paid by the former Sheriff. We recommend action be taken to settle additional amounts reported since the time of that civil action.

Former Sheriff's Response:

No comment at this time.

LESLIE COUNTY
 FORD BOWLING, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 January 8, 1999
 (Continued)

3. Former Sheriff Ford Bowling Should Settle With Taxing Districts For All Unmined Coal Taxes Owed And Refunds Due

The former Leslie County Sheriff maintained a separate bank account to deposit and disburse his unmined coal tax collections. It was determined that the former Sheriff owes or is due refunds from several taxing districts for 1989, 1990, 1991, 1992, 1993, 1994, 1995, and 1996 unmined coal tax collections. The total amount owed by the former Sheriff (net of refunds) is \$2,452 as follows:

<u>Taxing Districts</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
State	\$	\$	\$ 298	\$	\$
County	2,384	54		(253)	(501)
School	1,441	27		(724)	(1,357)
Garbage	1,382	142		(121)	(241)
Library	26	16		(76)	(155)
Health	138	14		(63)	(127)
Extension	153	15		(74)	(146)
Soil Conservation	34	3		(12)	(25)
Totals	<u>\$ 5,558</u>	<u>\$ 271</u>	<u>\$ 298</u>	<u>\$ (1,323)</u>	<u>\$ (2,552)</u>
<u>Taxing Districts</u>	<u>1,994</u>	<u>1,995</u>	<u>1,996</u>	<u>Total</u>	
State	\$	\$ (382)	\$ 139	\$ 55	
County		(1)	346	2,029	
School	(135)	(3)	42	(709)	
Garbage			68	1,230	
Library			42	(147)	
Health			36	(2)	
Extension			40	(12)	
Soil Conservation			8	8	
Totals	<u>\$ (135)</u>	<u>\$ (386)</u>	<u>\$ 721</u>	<u>\$ 2,452</u>	

We recommend the former Sheriff pay total amounts due the taxing districts and obtain refunds due. As noted in comment number 1, a civil action has been filed, asking that these amounts be paid by the former Sheriff. We recommend action be taken to settle additional amounts reported since the time of that civil action.

Former Sheriff's Response:

No comment at this time.

LESLIE COUNTY
FORD BOWLING, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
January 8, 1999
(Continued)

4. Former Sheriff Ford Bowling Should Deposit Unmined Coal Tax Account Surplus In An Escrow Account

The former Sheriff has a surplus of \$961 in his unmined coal tax account. The former Sheriff should deposit this surplus in an interest-bearing escrow account. According to KRS 393.110, the Sheriff's office should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. Therefore, the former Sheriff should deposit \$961 to an interest-bearing escrow account and the Sheriff's office should send a written report to the Treasury Department.

Former Sheriff's Response:

No comment at this time.

5. Former Sheriff Ford Bowling Should Properly Distribute Interest Earned On Tax Deposits

The former Sheriff did not properly distribute interest earned on taxes. KRS 134.140 requires the Sheriff's office to distribute interest earned on taxes between the school board and the official fee account on a monthly basis. The former Sheriff's tax account earned \$3,903 in interest on the 1996 taxes, none of which was distributed. This interest should have been distributed by paying the school board \$1,528 as their portion of interest income. The balance of \$2,375 should have been transferred to the former Sheriff's fee account for use in operating the office. These amounts are reflected in the accompanying Schedule of Excess of Liabilities Over Assets. In addition, as reflected in prior years, the former Sheriff is due a refund of \$485 from the school board and \$2,395 from the official fee account for overpayment of interest from the 1991 tax year. The former Sheriff owes interest to the school board of \$1,305 for the 1995 tax year; \$2,244 for the 1994 tax year; \$2,277 for the 1993 tax year; \$1,498 for the 1992 tax year; \$2,059 for the 1990 tax year; \$1,707 for the 1988 tax year; and \$430 for the 1987 tax year as the school's share of interest. The former Sheriff also owes the fee account \$2,180 for interest earned on the 1995 taxes; \$3,600 on the 1994 taxes; \$3,944 on 1993 taxes; \$2,527 on 1992 taxes; \$3,497 on 1990 taxes; and \$3,850 on 1988 taxes. Each of these amounts are reflected in the accompanying Schedule of Excess of Liabilities Over Assets. In addition, he owes the school for interest on unmined coal tax collections of \$98 for the 1992 and 1993 tax years; \$110 and \$974 for 1995 and 1994 tax years, respectively; and \$473 for 1996 tax year. He owes the fee account interest of \$145 for 1992 and 1993 tax years; \$147 and \$1,259 for 1995 and 1994 tax years, respectively; and \$649 for 1996 tax year. We recommend the former Sheriff promptly distribute all interest earned on tax collections and obtain refunds from the school board and fee account as reflected above. We further recommend the Sheriff's office pay interest earned to the school board and fee account on a monthly basis in the future. As noted in comment number 1, a civil action has been filed, asking that these amounts be paid by the former Sheriff. We recommend action be taken to settle additional amounts reported since the time of that civil action.

Former Sheriff's Response:

No comment at this time.

LESLIE COUNTY
 FORD BOWLING, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 January 8, 1999
 (Continued)

6. Former Sheriff Ford Bowling Should Pay All Commissions To The Official Fee Account And Collect Refunds Due From The Official Fee Account

Based on available records and as stated in the accompanying Schedule of Excess of Liabilities Over Assets, the former Sheriff owes the fee account \$545; \$10,308; \$1,744; \$1,139; \$2,931; \$1,792; and \$1,135 for commissions earned on property tax collections for the tax years 1995, 1994, 1993, 1992, 1991, 1990, and 1988, respectively. The former Sheriff also owes the fee account \$1,482; \$1,187; \$334; \$173; \$352; \$8; and \$3,508 for commissions earned on the property tax collections for unmined coal taxes for the tax years 1995, 1994, 1993, 1992, 1991, 1990, and 1989, respectively. The former Sheriff overpaid the fee account \$4,591 from 1996 tax collection and \$4,701 was overpaid from the 1996 unmined coal tax collection. We recommend the former Sheriff properly distribute commissions to the official fee account. As noted in comment number 1, a civil action has been filed, asking that these amounts be paid by the former Sheriff. We recommend action be taken to settle additional amounts reported since the time of that civil action.

Former Sheriff's Response:

No comment at this time.

7. Former Sheriff Ford Bowling Should Pay All Advertising Costs To The Fiscal Court And Sheriff's Fees To The Official Fee Account

Based on available records and as stated in the accompanying Schedule of Excess of Liabilities Over Assets, the former Sheriff owes the fiscal court \$480, \$642, \$225, \$225, \$198, \$468, \$336, \$252, \$258, \$186, and \$514 of advertising costs for tax years 1996, 1995, 1994, 1993, 1992, 1991, 1990, 1988, 1987, 1986, and 1985 respectively. The former Sheriff also owes the fee account \$160, \$214, \$75, \$75, \$66, \$156, \$112, and \$85 of Sheriff's fees for tax years 1996, 1995, 1994, 1993, 1992, 1991, 1990, and 1988, respectively. In addition, the former Sheriff owes the fiscal court advertising fees of \$60 and \$24 for 1994 and 1995 unmined coal tax years, respectively; and \$27 for the 1996 unmined coal tax year. The former Sheriff also owes \$20, \$8, and \$9 in Sheriff's fees for unmined coal for years 1994, 1995, and 1996, respectively. Advertising costs collected by the Sheriff's office should be paid to the fiscal court, and the Sheriff's fee of one dollar for each tax bill advertised pursuant to KRS 134.440 should be paid to the official fee account. We recommend the former Sheriff properly distribute advertising costs and Sheriff's fees. As noted in comment number 1, a civil action has been filed, asking that these amounts be paid by the former Sheriff. We recommend action be taken to settle additional amounts reported since the time of that civil action.

Former Sheriff's Response:

No comment at this time.

LESLIE COUNTY
FORD BOWLING, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
January 8, 1999
(Continued)

8. Former Sheriff Ford Bowling Should Have Required The Depository Institution To Provide Additional Collateral Of \$248,357 To Protect Deposits

The former Sheriff's deposits were not adequately secured by \$248,357 as of February 11, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide collateral for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. We recommend that the Sheriff's office require depository institutions to pledge sufficient collateral to protect deposits at all times.

Former Sheriff's Response:

No comment at this time.

9. Former Sheriff Ford Bowling Should Have Obtained A County Revenue Bond

During the 1996 tax collection period, the former Sheriff did not obtain a county revenue bond. The bond protects the county and other taxing districts from potential loss. KRS 134.250 requires a Sheriff annually, before he proceeds to collect the county levy, execute bond to the Commonwealth, with one or more sureties in the minimum sum of ten thousand dollars (\$10,000), conditioned for the faithful performance of his duties and to pay over in due time to the proper person, as directed by the court, all money collected by him. Considering the former Sheriff continued to accumulate a deficit balance in his property tax account, we recommend the fiscal court require the Sheriff's office to obtain a county revenue bond prior to any tax collections.

Former Sheriff's Response:

No comment at this time.

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

1. Former Sheriff Ford Bowling's Office Internal Control Structure Lacked An Adequate Segregation Of Duties

We conclude the former Sheriff's office internal control structure lacked a proper segregation of duties. There was a limited staff size, which prevented adequate division of responsibilities. The former Sheriff had statutory authority to assume the role as custodian of monetary assets, as well as recorder of transactions and preparer of financial statements.

Former Sheriff's Response:

No comment at this time.

LESLIE COUNTY
 FORD BOWLING, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 January 8, 1999
 (Continued)

2. Former Sheriff Ford Bowling Did Not Prepare And Maintain Accurate And Complete Records

The former Sheriff did not maintain complete and accurate records. The former Sheriff did not maintain all the bank statements and cancelled checks, nor did he prepare bank reconciliations monthly and submit reports in a timely manner. We recommend the Sheriff's office prepare and maintain bank reconciliations on a monthly basis, maintain all records, and prepare reports in a timely manner.

Former Sheriff's Response:

No comment at this time.

PRIOR YEAR:

The following prior year findings have not been corrected and are repeated in our current year findings.

- Former Sheriff Ford Bowling Had A Deficit Of \$148,777 In His Property Tax Account
- Former Sheriff Ford Bowling Did Not Settle With Taxing Districts For All Property Taxes Owed And Refunds Due
- Former Sheriff Ford Bowling Did Not Properly Distribute All Interest Income
- Former Sheriff Ford Bowling Did Not Pay All Commissions To The Official Fee Account
- Former Sheriff Ford Bowling Did Not Pay All Advertising Costs To The Fiscal Court Or To His Official Fee Account
- Former Sheriff Ford Bowling Did Not Pay The Taxing Districts For 1989, 1990, 1991, 1992, 1993, 1994, and 1995 Unmined Coal Taxes Owed And Collect Refunds As Due
- Former Sheriff Ford Bowling Did Not Require The Depository Institution To Provide Additional Collateral And Enter Into A Written Agreement To Protect Deposits
- Former Sheriff Ford Bowling Did Not Obtain A County Revenue Bond

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Onzie Sizemore, Leslie County Judge/Executive
Honorable Ford Bowling, Former Leslie County Sheriff
Honorable Fred Davidson, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the former Leslie County Sheriff's Settlement - 1996 Taxes as of January 8, 1999, and former Sheriff's Settlement - 1996 Unmined Coal Taxes as of November 14, 1998, and have issued our report thereon dated April 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- Former Sheriff Ford Bowling Has A Cumulative Deficit Of \$148,593 In His Property Tax Account
- Former Sheriff Ford Bowling Should Settle With Taxing Districts For All Property Taxes Owed And Refunds Due
- Former Sheriff Ford Bowling Should Settle With Taxing Districts For All Unmined Coal Taxes Owed And Refunds Due
- Former Sheriff Ford Bowling Should Deposit Unmined Coal Tax Account Surplus In An Escrow Account
- Former Sheriff Ford Bowling Should Properly Distribute Interest Earned On Tax Deposits
- Former Sheriff Ford Bowling Should Pay All Commissions To The Official Fee Account And Collect Refunds Due From The Official Fee Account
- Former Sheriff Ford Bowling Should Pay All Advertising Costs To The Fiscal Court And Sheriff's Fees To The Official Fee Account
- Former Sheriff Ford Bowling Should Have Required The Depository Institution To Provide Additional Collateral Of \$248,357 To Protect Deposits
- Former Sheriff Ford Bowling Should Have Obtained A County Revenue Bond

Honorable Onzie Sizemore, Leslie County Judge/Executive
Honorable Ford Bowling, Former Leslie County Sheriff
Honorable Fred Davidson, Leslie County Sheriff
Members of the Leslie County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Leslie County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- Former Sheriff Ford Bowling's Office Internal Control Structure Lacked An Adequate Segregation Of Duties
- Former Sheriff Ford Bowling Did Not Prepare And Maintain Accurate And Complete Records

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- Former Sheriff Ford Bowling's Office Internal Control Structure Lacked An Adequate Segregation Of Duties
- Former Sheriff Ford Bowling Did Not Prepare And Maintain Accurate And Complete Records

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 17, 2000

